

Message Text

PAGE 01 STATE 216697

61

ORIGIN SS-30

INFO OCT-01 ISO-00 /031 R

DRAFTED BY ARA:HWSHLAUDEMAN/L:MBFELDMAN:MPH

APPROVED BY ARA:JBKUBISCH

ARA/BC - MR. KARKASHIAN

EB/IFD/OIA - MR. KENNEDY

OPIC/GC - MR. HUNT (SUBSTANCE)

TREASURY:HLEE (DRAFT)

S/S - MR. MILLER

----- 019879

P 022158Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

S E C R E T STATE 216697

EXDIS

E.O. 11652: GDS

TAGS: CI, UN, PFOR

SUBJECT: COPPER COMPENSATION PROBLEMS

REF : (A) SANTIAGO 5141; (B) SANTIAGO 5168;

(C) SANTIAGO 4754

1. OUR OBJECTIVE IN THIS REMAINS TO ACHIEVE RECOGNITION OF DEBT AND JUST COMPENSATION FOR EQUITY IN ACCORDANCE WITH INTERNATIONAL LAW AS STIPULATED IN THE PARIS CLUB AGREEMENT OF APRIL 19, 1972. SATISFACTORY RESOLUTION OF THESE AND OTHER EXPROPRIATION ISSUES IS NECESSARY NOT ONLY TO PROTECT THE RIGHTS OF U.S. NATIONALS AND BROADER U.S. INVESTMENT INTERESTS, BUT TO MAKE IT FEASIBLE FOR THE USG TO PROVIDE OR SUPPORT THE FINANCIAL ASSISTANCE THE NEW GOVERNMENT WILL NEED.

2. AT THIS STAGE WE BELIEVE THE USG SHOULD NOT BE IN THE POSITION OF PRESSURING THE PARTIES ON EITHER SIDE, OF MEDIATING NEGOTIATIONS, OR OF GIVING GOC AN INDEPENDENT ASSESS-
SECRET

PAGE 02 STATE 216697

MENT OF ITS PROPOSALS. THEREFORE, YOU SHOULD ADVISE SAENZ THAT IN OUR OPINION THE ONLY WAY TO TEST THE PRACTICALITY OF HIS PROPOSALS IS TO GO FORWARD WITH DIRECT DISCUSSIONS WITH THE COMPANIES. (FYI: WE ARE UNABLE TO PREDICT AT THIS

POINT WHETHER KENNECOTT MIGHT EVENTUALLY BE PERSUADED TO ACCEPT \$80 MILLION FOR ITS 49 EQUITY. IT IS NOT AT ALL CLEAR THAT KENNECOTT HAS THOUGHT THROUGH ITS STRATEGY OR

OBJECTIVES. NOR ARE WE CONFIDENT THAT A RAPID SETTLEMENT WITH ANACONDA IS IN PROSPECT. APPARENT CORDIALITY OF INITIAL MEETING WITH QUIGLEY DOES NOT MEAN THAT SAENZ CAN EXPECT LESS THAN TOUGH BARGAINING IN THAT QUARTER. END FYI)

3. WE SEE CONSIDERABLE MERIT IN THE GOC TAKING THESE CASES ONE AT A TIME, PRESSING TO RESOLVE THE EASIER ONES WHILE WORKING MORE GRADUALLY TO NARROW THE DIFFERENCES IN THE OTHERS. A PROMPT RESOLUTION OF THE CERRO CASE FOLLOWED BY A SETTLEMENT ON EXOTICA AND WITH ANACONDA MIGHT SET THE STAGE FOR EVENTUAL AGREEMENT WITH KENNECOTT. AT AN APPROPRIATE TIME, IF NECESSARY, THE USG WOULD BE PREPARED TO USE ITS GOOD OFFICES TO HELP FACILITATE THE RESOLUTION OF ANY DISPUTE THAT CANNOT OTHERWISE BE SETTLED. HOWEVER, IT WOULD BE PREMATURE FOR USG TO INTERVENE AT THIS POINT. WE WILL, OF COURSE, APPRECIATE BEING KEPT CLOSELY INFORMED AS THE TALKS PROCEED SO AS TO BE PREPARED IF OUR DIRECT ASSISTANCE SHOULD BE REQUIRED.

4. WE BELIEVE A WORD OF CAUTION TO SAENZ IS IN ORDER ON ANOTHER POINT. THERE IS A DANGER THAT GOC WILL BECOME LOCKED INTO A PARTICULAR PROCEDURE OR FRAMEWORK THAT MAY NOT HOLD PRACTICAL SOLUTIONS IN ALL CASES. ALTHOUGH A RECONSTITUTED COPPER TRIBUNAL MIGHT PLAY A USEFUL ROLE IN CERTAIN RESPECTS, WE HAVE SOME DOUBT THAT ADEQUATE SOLUTIONS CAN BE BASED ON CORRECTIONS OF MATHEMATICAL ERRORS IN PREVIOUS CALCULATIONS AND WE WONDER WHETHER THE TRIBUNAL WOULD BE A SUITABLE MEANS OF RESOLVING DISPUTES THAT CANNOT BE NEGOTIATED. THE GOC SHOULD CONSIDER WHETHER THE TRIBUNAL CAN BE USED IN ANY CASE WITHOUT PRECLUDING OTHER PROCEDURES, SUCH AS DIRECT SETTLEMENT OR ARBITRATION, IN MORE DIFFICULT CASES, AND WITHOUT ENDORSING CONCEPTS SUCH
SECRET

PAGE 03 STATE 216697

AS THE EXCESS PROFITS DEDUCTION WHICH THE UNITED STATES COULD NOT ACCEPT FOR BROAD LEGAL AND POLITICAL REASONS. IN SUM, WE BELIEVE IT IMPORTANT THAT THE GOC MAINTAIN THE POSSIBILITY FOR MAXIMUM FLEXIBILITY PENDING SUBSTANTIVE DISCUSSIONS WITH THE COMPANY.

5. A CONSIDERATION ALSO WORTHY OF GOC'S ATTENTION IS IMPORTANCE OF MAINTAINING CONTACT WITH AND FAVORABLE ATTITUDE OF THE COMPANIES. WALSH EXPECTED A TELEGRAM INVITING HIM TO RESUME NEGOTIATIONS BY END OF LAST WEEK. HE HAS HAD NO WORD UNTIL NOW DESPITE TELEPHONE CALLS TO SANTIAGO AND INQUIRIES OF EMBASSY HERE. WE REALIZE THAT SAENZ IS STRETCHED THIN AND THAT GOC MUST DEAL WITH A MOUNTAIN OF PRESSING PROBLEMS. NEVERTHELESS, IT SHOULD BE

POSSIBLE TO ESTABLISH A PRELIMINARY SCHEDULE FOR TALKS AND TO KEEP IN TOUCH WITH COMPANIES. (ANACONDA HAS NOW BEEN

INFORMED BY GOC THAT IT WILL BE BACK TO THEM BY MID-NOVEMBER) IF SAENZ FINDS IT DIFFICULT TO TRAVEL TO NEW YORK, AND WE CAN UNDERSTAND WHY HE WOULD, HE MIGHT WISH TO HOLD NEXT ROUND OF MEETINGS IN SANTIAGO. (WALSH AND ANACONDA HEARD THAT GOC MAY BE IN PROCESS OF ESTABLISHING A SPECIAL COMMISSION TO HANDLE EXPROPRIATION PROBLEMS. ANY INFO YOU MAY HAVE ON THIS POINT WOULD BE APPRECIATED.)

6. WE WILL FURNISH COMMENTS ON ITT PROBLEM IN SEPTTEL. KISSINGER

SECRET

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, LAW, MINING INDUSTRY, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 NOV 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE216697
Document Source: ADS
Document Unique ID: 00
Drafter: ARA:HWSHLAUDEMAN/L:MBFELDMAN:MPH
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P750026-2009
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731167/abqcejmc.tel
Line Count: 123
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Jan-2002 by willialc>; APPROVED <05 MAR 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COPPER COMPENSATION PROBLEMS
TAGS: PEPR, EMIN, US, CI, UN
To: SANTIAGO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005